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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02 LAB-04
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TO SECSTATE WASHDC PRIORITY 1467
INFO TREASURY WASHDC
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C O R R E C T E D C O P Y (CLASSIFICATION LOU)

EO 11652: N/A
TAGS: ELAB, ECON, MX
SUBJECT: WAGE MISCELLANEA--DON FIDEL RESIGNS FROM PRICE COMMISSION

1. AFTER SEVERAL WEEKS OF STRIKE, WORKERS OF VOLKSWAGEN-PUEBLA PLANT SIGNED A CONTRACT ON JULY 16 WHICH WILL PROVIDE A 16-0PERCENT ACROSS-THE-BOARD WAGE INCREASE, ALONG WITH RELATIVELY GENEROUS FRINGE BENEFITS. WHILE SEVERAL SMALL UNITS HAVE NEGOTIATED CONTRACTS WHICH EXCEEDED THE 12-PERCENT GOM GUIDELINES, AND REACHED 15 PERCENT ON OCCASIONS DURING PAST SEVERAL MONTHS, THE VW SETTLEMENT IS THE HIGHEST WAGE SETTLEMENT FOR CALENDAR 1978.

2. THE 80,000-WORKER UNIT OF THE NATIONAL PETROLEUM MONOPLY, PEMEX, SETTLED AT 12 PERCENT ON JULY 16.

3. STRONG MAN OF PRI LABOR, FIDEL VELASQUEZ, ANNOUNCED JULY 16 THAT HE WAS RESIGNING HIS POSITION ON THE NATIONAL
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PRICE COMMISSION (COMISION NACIONAL DE PRECIOS). THE MOVE IS LIKELY TO SET OFF A WAVE OF RESIGNATIONS FROM OTHER PRI AFFILIATE UNIONS OF THE CONGRESS OF LABOR. FIDEL, WHO HAS INCREASED HIS CRITICISM OF THE GOM FOR FAILURE TO CONTROL PRICES DURING PAST FEW MONTHS, SAID HE WAS LEAVING COMMISSION BECAUSE IT HAD BEGUNE "TO OPERATE LIKE A PRICE INCREASE FACTORY." FOR FIRST SIX MONTHS OF 1978 ANNUAL

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RATE OF INCREASE OF THE CPI DETERMINED MONTHLY HAS AVER-
AGED 19.9 PERCENT. MONTH-TO-MONTH PERCENTAGE CHANGGES
HAVE VAIRED FROM 1.0 TO 1.9 PERCENT.

4. COMMENT: FIDEL'S RESIGNATION FROM THE COMMISSION,
WHILE SIGNIFICANT, SHOULD NOT BE INTERPRETED AS A BREAK
WITH JLP OR AS RENEGING ON HIS PROMISE TO THE PRESNDENT
TO HOLD WAGE INCREASES TO THE 12-PERCENT RANGE. HE HAS
RECENTLY CONFIRMED THAT THIS PLEDGE WILL HOLD THROUGH END
OF 1978, IN PRIVATE CONVERSATIONS WITH THE LABOR ATTACHE.
THE MOVE HOWEVER CAN SAFELY BE INTERPRETED AS ADDITIONAL
PRESSURE ON JLP TO RESTRAIN THOSE WHO CONTROL COMSUMER
PRICES AND TO DIVORCE HIMSELF, INTHE EYES OF HIS AFFIL-
IATES, FROM THE GOM PRICE-CONTROL MECHANISM.

5. THE VW SETTLEMENT, FOUR PERCENT ABOVE GOM GUIDELINES,
REPRESENTS LITTLE DANGER TO THE JLP AUSTERITY PROGRAM IF
FIDEL AND THE MAJOR PRI LABOR DONS INTEND TO HOLD LINE ON
WAGES. THIS APPEARS TO BE CASE AS DEMONSTRATED BY THE POW-
ERFUL PEMEX UNION'S SETTLEMENT ONE DAY AFTER VW. WORKER
LOSS IN REAL WAGES WILL INCREASE THROUGH 1978 IF PRESENT
PRICE TRENDS CONTINUE. THIS WILL UNDOUBTEDLY INCREASE THE
ALREADY STRONG PRESSURES BY WORKERS ON THEIR LEADERS FOR
RELIEF, BUT IT APPEARS THAT THE LATTER HAVE MEANS AND
DETERMINATION TO RESIST THROUGH REMAINDER OF YEAR. LUCEY

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